

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 97-11

DATE PREPARED: Sep 01, 2000

STATE AGENCY: Department of Environmental Management

DATE RECEIVED: Jul 24, 2000

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Digest of Proposed Rule: This rule adds 327 IAC 16 concerning confined feeding operations. The rule is effective 30 days after filing with the Secretary of State.

Governmental Entities:

State: This rulemaking affects the Department of Environmental Management to the extent that the Department will be required to inspect operations for compliance to this rule. The Department, however, has already been conducting these inspections for the past two years.

Local: This rulemaking does not impact any local government entity. No unfunded mandates are placed upon any political subdivision by this proposed rule.

Regulated Entities: Annual costs are estimated at between \$734,563 and \$5.3 million. These estimates include a one-time expense of \$136,000. Components of this estimate are listed below.

This rule affects confined feeding operations as defined by IC 13-11-2-40 and other feeding operations as defined by 327 IAC 16-2-29 that conduct confined feeding as defined in IC 13-11-2-39. Approximately 3,400 operations exist in the state. The majority of farms affected handle liquid swine manure. Costs decrease as the number of animals housed increase due to economies of scale. The estimated 3,400 operations may incur the following expenses:

Emergency Spill Response Plan. The rule requires regulated entities to have an emergency response plan specific to the site. Response plans are estimated to cost \$40 (two hours work) per operation for a total cost of \$136,000. The cost will be a one-time expense.

Karst Study. If the building is located in karst terrain, a karst study is required. Some new operations could experience costs of \$1,000-\$4,000 for karst studies. The number of new operations is indeterminable and the impact would be site specific.

Lagoon Freeboard Gauge and Lagoon Site Inspections. Lagoons must have a specified area available above the liquid manure level (freeboard) and a measurement device that indicates freeboard levels. Costs are estimated at between \$200-\$300 for existing operations and \$600-\$4,000 for new operations. The impact is indeterminable but will depend on existing lagoon configurations and the number of lagoons in the industry.

Land Application Records. A log of manure land application records must be on site. Costs for record-keeping are estimated at \$1 per acre per year. The 3,400 existing operations will need 408,163 acres to comply with the rule. (The rule requires 35.4 acres for small operations of 600 swine and 174.5 acres for medium operations of 2,500 swine. These figures assume that animals are turned over 2.6 times per year. Costs estimates also assume surface application.) At \$1 per acre, costs to the industry statewide are estimated at \$408,163 per year.

Manure Management Plan. Manure and soil must be tested once every three years. Costs for the tests range from \$56 to \$1,421. Applying this range to the number of operations, or 3,400, results in a total cost ranging from \$190,400 to \$4.8 million every three years. Annual costs are estimated at \$63,467 to \$1.6 million.

IC 13-14-9.5-2 provides that an administrative rule adopted under IC 14-14-9 expires January 1 of the seventh year after the year in which the rule takes effect, unless the rule contains an earlier expiration date.

New Construction. Interest and depreciation for construction would cost an estimated at 15.4 % with annual repair, taxes, and insurance expenses at 3.5%, for a total rate of 18.9%. However, the extent of new construction, if any, is indeterminable. The establishment of new facilities will depend upon production changes in the industry.

Operating Record. Each site must maintain an operating record, which includes a copy of the CFO approval, emergency spill plan response, land application record, marketing and distribution records for manure not land applied, manure management plan, land application agreements, and operator inspection reports. Costs are included in other categories listed in this statement.

Setback Requirements. Manure application is limited based on the method of distribution and the location of water resources. No significant fiscal impact is anticipated because the required setbacks are similar to previous standards.

Solid Manure Storage. Containment areas for solid manure must ensure no run-on or run-off of contaminated water. This requirement is already necessary for initial approval, so no additional costs are anticipated.

Spray Irrigation Systems. Spray irrigation systems would be required to have pressure indicator controls or human supervision when the system is in operation. One-time costs are estimated at \$800-\$1,500 per operation using spray irrigation systems. However, the number of operations that use spray irrigation systems is unknown.

Staging of Solid Manure. Manure stored near the application site for longer than 72 hours must be covered. This requirement is site specific and could be a part of land application costs.

IC 13-14-9.5-2 provides that an administrative rule adopted under IC 14-14-9 expires January 1 of the seventh year after the year in which the rule takes effect, unless the rule contains an earlier expiration date. Costs of the seven-year life of the rule are estimated at between \$5.1 million to \$37 million.

It should be noted that the impacts indicated do not consider operations that house more than one animal species at less than the regulated numbers, but when combined equal greater than 100% of the minimum regulated numbers as a whole.

Information Sources: Kristin Whittington, Agricultural Liaison, Indiana Department of Environmental

Management, 232-8587.